



POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2022-13; Order No. 6262]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a Postal Service application for waiver pursuant to Commission regulations as it relates to a workshare discount. This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* October 7, 2022.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On August 26, 2022, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Six.

II. Proposal Six

Background. Proposal Six relates to the distribution of peak season highway transportation costs. See Petition, Proposal Six at 1. In particular, the Postal Service proposes to include additional sampling of peak season trips within the Transportation Cost System (TRACS) “to develop a separate distribution key for the costs in peak season highway accounts.” *Id.*

According to the Postal Service, based on the assumption that “peak season trips have a similar mail mix to regular transportation for the same quarter,” peak season costs have been “distributed similarly to the regular contract costs calculated by quarter.” *Id.* at 8. Thus, the distribution keys associated with the costs of peak season highway contracts are based upon TRACS data for regular contracts (and not Emergency, Exceptional, or Christmas contracts). See *id.* at 1. These data are calculated quarterly using a process that involves developing a sampling frame for each quarter. See *id.* The peak season falls in Quarter One of the fiscal year (FY), and its sampling frame is designed in early September, “using the most recent operations data” including operations data from the last weeks of August. *Id.* at 2. However, peak contract

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), August 26, 2022 (Petition). The Postal Service also filed a notice of filing of non-public material relating to Proposal Six, as well as public and non-public materials supporting the proposal. See Notice of Filing of USPS-RM2022-13-1 and USPS-RM2022-13-NP1 and Application for Nonpublic Treatment, August 26, 2022.

highway trips do not run in August or September; in fact, they may not be finalized completely until approximately mid-November (shortly before the beginning of the peak season). *See id.* As a result, they may not be sampled under the current methodology of sampling highway transportation cost data.²

The Postal Service reports that it studied peak season sampling in the peak seasons of FYs 2021 and 2022. *Id.* at 3-4. For FY 2021, although the Postal Service developed a peak season frame “using a non-finalized list of peak trips from operations obtained in September” and merging this list with actual trip data from the peak season of FY 2020, the Postal Service did not obtain “enough useful data to develop a distribution key.” *Id.* at 3. For FY 2022, the Postal Service reports that it conducted a study in November and December 2021 that produced “meaningful data, allowing a distribution key to be developed.” *Id.* at 4. According to the Postal Service, “the only differences in the methodology, compared with the regular TRACS sampling[,]” are in developing the frame and in scheduling the peak TRACS tests in November instead of September. *Id.*

Proposal. The Postal Service’s proposal seeks to use additional sampling of peak season trips within TRACS to develop a separate distribution key for the costs in peak season highway accounts. *See* Petition. The Postal Service would use its new system (instead of regular contract data) to determine the distribution of peak costs. *Id.* Proposal Six at 3. More specifically, for the fiscal year (FY) 2022 Annual Compliance Report (ACR), the Postal Service proposes to implement the FY 2022 peak distribution key. *See id.* at 6. Further, for future years’ annual compliance reports, the Postal Service recommends the adoption

² *See id.*; *see also* Docket No. RM2021-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), October 6, 2021, at 36 (Order No. 5999) (“[T]he TRACS database...still does not include Christmas contracts in the sampling frame.”).

of the following changes: increasing the number of peak tests to 300 (*see id.* at 5); modifying the frame design process to include all trips that fall under the classification of peak/Christmas accounts within the Transportation Contract Support System (TCSS); and using late October and early November trip data. *See id.* at 6.

Further, the Postal Service proposes to “create a separate peak season cost pool apart from the regular highway cost pools.” *Id.* at 7. Under this aspect of Proposal Six, “[t]he new peak season variabilities that were approved [in] Docket [No.] RM2021-1 would be applied to these costs, and then they would be distributed based on the peak distribution key.” *Id.* However, the Postal Service does not propose changing the distribution of such costs outside of the peak period. *See id.*

Rationale and impact. The Postal Service asserts that adopting Proposal Six would allow peak contract costs to be estimated more accurately. *See id.* at 8-9. As noted, according to the Postal Service, the current approach of relying on regular contract costs calculated by quarter is founded on “the assumption that peak season trips have a similar mail mix to regular transportation for the same quarter.” *Id.* at 8. However, the Postal Service advises that this is not necessarily so because “peak season transportation is used to supplement the regular transportation network during peak season[.]” *Id.* Thus, the Postal Service asserts that “sampling of peak season trips provides visibility into the peak season trip mail mix” and offers “a more accurate estimation of the cost distribution of peak contract costs.” *Id.* at 8-9.

According to the Postal Service, for FY 2022 Quarter One, there were \$356 million of accrued costs relating to peak season highway contracts, of which \$346 million were volume variable. *Id.* at 9. If Proposal Six is

implemented, the Postal Service advises that “these costs would be shifted out of the regular transportation cost pools and into a separate peak season cost pool.”

Id. Further, the Postal Service states that “[t]he costs would mainly shift to competitive domestic products” as detailed in Table 2 (in public and non-public versions). *Id.*

III. Notice and Comment

The Commission establishes Docket No. RM2022-13 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s Web site at <https://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Six no later than October 7, 2022. Pursuant to 39 U.S.C. 505, Manon A. Boudreault is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2022-13 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), filed August 26, 2022.

2. Comments by interested persons in this proceeding are due no later than October 7, 2022.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Manon A. Boudreault to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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